

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY (TELCO)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

STATEMENT BY THE A/MANAGING DIRECTOR

Pursuant to the requirements of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying consolidated financial statements exhibit a true and fair view of the financial position and transactions of the NSW Government Telecommunications Authority and its subsidiaries as at 30 June 2006 and transactions for the year then ended;
- (b) The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.


Colin Griffith
A/Managing Director
NSW Government Telecommunications Authority

20/10/06



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

New South Wales Government Telecommunications Authority

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the New South Wales Government Telecommunications Authority (the Authority):

- presents fairly the Authority's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and the Acting Managing Director's Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the Authority and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Authority and the entities it controlled during the year.

The Acting Managing Director of the Authority is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Acting Managing Director in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Acting Managing Director had not fulfilled his reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Authority or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



M P Abood, CPA
Director, Financial Audit Services

SYDNEY
20 October 2006

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
INCOME STATEMENT					
FOR THE YEAR ENDED 30 JUNE 2006					
	Notes	Consolidated		Telco	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Revenue					
Sale of goods and services	2(a)	4,924	4,104	-	-
Investment income	2(b)	81	96	-	-
Grants and contributions	2(c)	981	1,104	-	-
Other income	2(d)	16	92	-	7
Total Revenue		6,002	5,396	-	7
Expenses					
Operating expenses					
Employee related	3(a)	2,325	1,864	-	-
Other operating expenses	3(b)	3,338	3,562	-	-
Depreciation and amortisation	7	582	897	-	-
Financing costs		15	24	-	-
Other expenses	3(c)	-	-	330	-
TOTAL EXPENSES		6,260	6,347	330	-
PROFIT/(LOSS)		(258)	(951)	(330)	7
NET LOSS ATTRIBUTABLE TO MINORITY EQUITY INTEREST		(111)	(412)	-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF TELCO	15	(147)	(539)	(330)	7

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
BALANCE SHEET					
AS AT 30 JUNE 2006					
	Notes	Consolidated		Telco	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	4	1,818	1,745	-	-
Receivables	5	662	575	-	-
Other	8	14	15	-	-
Total Current Assets		2,494	2,335	-	-
Non-Current Assets					
Property, plant and equipment	7	1,372	1,688	-	-
Other financial assets	6	-	-	870	1,200
Total Non-Current Assets		1,372	1,688	870	1,200
Total Assets		3,866	4,023	870	1,200
LIABILITIES					
Current Liabilities					
Trade creditors and other payables	9	314	173	-	-
Short-term provisions	10	197	113	-	-
Interest bearing liabilities	11	287	448	-	-
Other	12	1,382	1,090	-	-
Total Current Liabilities		2,180	1,824	-	-
Non-Current Liabilities					
Interest bearing liabilities	13	121	366	-	-
Other	14	37	47	-	-
Total Non-Current Liabilities		158	413	-	-
Total Liabilities		2,338	2,237	-	-
Net Assets		1,528	1,786	870	1,200
EQUITY					
Retained earnings	15	4,366	4,513	870	1,200
Parent entity interest		4,366	4,513	870	1,200
Minority equity interest		(2,838)	(2,727)	-	-
Total Equity		1,528	1,786	870	1,200

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006					
	Notes	Consolidated		Telco	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Net income recognised directly in the equity		-	-	-	-
PROFIT/(LOSS) FOR THE YEAR		(258)	(951)	(330)	7
TOTAL RECOGNISED INCOME/(EXPENSES) FOR THE YEAR		(258)	(951)	(330)	7
EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS		-	-	-	-
Attributable to:					
Members of Telco		(147)	(539)	(330)	7
Minority Interest		(111)	(412)	-	-
		(258)	(951)	(330)	7

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
CASH FLOW STATEMENT					
FOR THE YEAR ENDED 30 JUNE 2006					
	Notes	Consolidated		Telco	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Payments to suppliers and employees		(5,456)	(5,524)	-	-
Financing costs		(46)	(48)	-	-
Total Payments		(5,502)	(5,572)	-	-
Receipts					
Receipts from operations		6,166	5,675	-	-
Interest received		81	96	-	-
Grants and subsidies		-	7	-	-
Total Receipts		6,247	5,778	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	17	745	206	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(223)	(335)	-	-
Purchase of investments		-	-	-	-
NET CASH USED IN INVESTING ACTIVITIES		(223)	(335)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of interest bearing liabilities		(449)	(321)	-	-
NET CASH USED IN FINANCING ACTIVITIES		(449)	(321)	-	-
NET INCREASE / (DECREASE) IN CASH HELD		73	(450)	-	-
Cash at the beginning of the financial year		1,745	2,195	-	-
Cash at the end of the financial year	4	1,818	1,745	-	-

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Government Telecommunications Authority (Telco), as a reporting entity, comprises Telco in its own right and the Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) in which Telco has a controlling interest.

The mission of the Authority (Telco), which is a wholly owned subsidiary of the Department of Commerce, is to enable the use of telecommunication infrastructure networks of Government agencies for the common carriage of Government communications and to enable the best commercial advantage to be obtained from any excess network capacity, infrastructure or facilities of Government agencies. Telco is classified as a not-for-profit entity as profit is not its principal objective.

The Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) was registered as a proprietary company limited by shares under the Corporations Act 2001 on 10 November 2000. Telco holds 57% of the shares on behalf of the NSW Government and the remaining 43% are held by eight NSW based Universities.

This consolidated financial report for the year ended 30 June 2006 has been authorised for issue by the Acting Managing Director on 20 October 2006.

(b) Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial statements of the consolidated entity are general purpose financial reports which have been prepared, except where stated, on an accrual basis at historical cost and in accordance with applicable Australian Accounting Standards; other authoritative pronouncements of the Australian Accounting Standards Board (AASB); Urgent Issues Group (UIG) Interpretations and the requirements of the Public Finance and Audit Act and Regulation.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Interpretations, the hierarchy of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* is considered.

In accordance with the requirements of AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, adjustments to the accounts resulting from the introduction of AEIFRS have been applied retrospectively in the year

ended 30 June 2005 comparative figures excluding cases where optional exemption available under AASB 1 have been applied. These accounts are the first financial statements of the Authority to be prepared in accordance with AEIFRS.

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 130 *Financial Instruments: Recognition and Measurement* has been deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards, which applied to the year ended 30 June 2005.

Reconciliation of the transition from previous Australian GAAP to AEIFRS has been included in Note 1(q) to this report.

At the reporting date, a number of Accounting Standards adopted by the AASB has been issued but are not yet operative and have not been early adopted by Telco. The following is a list of these standards:

- AASB 7 – Financial Instruments (issued August 2005)
- AASB 119 – Employee Benefits (issued December 2004)
- AASB 2004-3 – Amendments to Australian Accounting Standards (issued December 2004)
- AASB 2005-1 – Amendments to Australian Accounting Standards (issued May 2005)
- AASB 2005-5 – Amendments to Australian Accounting Standards (issued June 2005)
- AASB 2005-9 – Amendments to Australian Accounting Standards (issued September 2005)
- AASB 2005-10 – Amendments to Australian Accounting Standards (issued September 2005)
- AASB 2006-1 – Amendments to Australian Accounting Standards (issued January 2006)

The initial application of these standards will have no impact on the financial results of the authority. The Standards are operative for annual reporting periods beginning on or after 1 January 2006.

All amounts are rounded to the nearest one thousand dollars.

(c) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and money market investments readily convertible to cash.

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(e) Capitalisation Thresholds

Items of plant and equipment are capitalised when their costs exceed the threshold of \$1,000 and they meet the definition and recognition criteria for an asset.

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(f) Valuation of Property, Plant and Equipment

Physical plant and equipment is valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 05-03).

Property, plant and equipment are measured at depreciated historical cost, as a surrogate for fair value.

(g) Depreciation of Property, Plant and Equipment

Depreciation is provided on a straight-line basis on all property, plant and equipment. Major depreciation periods are:

Plant and equipment	4 to 8 years
Furniture and fittings	5 years

(h) Leases

Leases of plant and equipment, where substantially all the risks and benefits incidental to ownership of the asset, but not legal ownership, are transferred to the Authority are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services - Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest - Control of the right to receive the interest payment.

(k) Income tax

Telco is a tax-exempt entity. Telco's subsidiary is not tax exempt and applies the following policy.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(l) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits are measured at their nominal amounts using remuneration rates expected to apply at the time of settlement.

(m) Administrative and Managerial Support

The Department of Commerce continues to provide expertise, assistance and administrative support to Telco. No fee was paid for the services during 2005/06 as Telco's operations have been minimal. ac3 manages its own affairs.

(n) Other Financial Assets

Telco's investment in ac3 is classified as an available for sale financial asset. It is revalued periodically and revaluation decrements have been recognised as expenses in the income statement.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(p) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Authority (the parent entity) and its controlled entities as defined in the Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Authority obtains control and until such time as the Authority ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(q) Comparative figures for the adoption of Australian Equivalents to International Financial Reporting Standards in 2004/05***Make Good Costs Provisions***

Under AEIFRS the costs of restoring a site occupied as part of the entities business operations to its original condition must be recognised when the site is initially utilised. This cost is capitalised as a component of property, plant and equipment, with a corresponding provision being recorded and amortised over the applicable occupation period.

At 1 July 2004, provision for make good costs of \$19,000 was recognised by the consolidated entity. This change to the current accounting policy has resulted in an increase to property, plant and equipment and the related provision balance. Depreciation of \$6,000 will be charged annually.

The following tables set out the impacts of adopting AEIFRS on total equity and profit/(loss) as reported under previous AGAAP.

Reconciliation of equity as presented under AGAAP to equity determined under AEIFRS

	30 June 2005	1 July 2004
	\$'000	\$'000
TOTAL EQUITY UNDER AGAAP	1,798	2,743
<i>Adjustments to accumulated losses</i>		
Depreciation of provision for make good costs in operating leases	(12)	(6)
TOTAL EQUITY UNDER AEIFRS	<u>1,786</u>	<u>2,737</u>

Reconciliation of net loss under AGAAP to net loss determined under AEIFRS

	30 June 2005
	\$'000
NET LOSS AS REPORTED UNDER AGAAP	(945)
Make good costs depreciation	(6)
NET LOSS UNDER AEIFRS	<u>(951)</u>

Restated AEIFRS Statement of Cash Flows for the year ended 30 June 2005

There are no material differences between the cash flow statement presented under AEIFRS and the cash flow statement presented under previous AGAAP.

2. REVENUES**(a) Sale of Goods and Services**

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Fees and charges	4,924	4,104	-	-
	4,924	4,104	-	-

(b) Investment Income

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Interest	81	96	-	-
	81	96	-	-

(c) Grants and Contributions

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Australian Partnership for Advanced Computing Grant (APAC)	981	1,104	-	-
	981	1,104	-	-

(d) Other Revenue

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Other Revenue	16	92	-	7
	16	92	-	7

3. EXPENSES

(a) Employee Related Expenses

Employee Related Expenses comprise the following specific items:

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Salaries and wages (including recreation leave)	1,947	1,607	-	-
Superannuation	185	155	-	-
Payroll tax	108	75	-	-
Annual leave, long service leave and recruitment expenses	85	27	-	-
	2,325	1,864	-	-

(b) Other Operating Expenses

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating lease rental expense - minimum lease payments	30	25	-	-
Rent	228	210	-	-
Repairs and maintenance	140	176	-	-
Information management and technology	42	80	-	-
Telecommunications	298	263	-	-
Auditor's remuneration - audit of financial reports	24	21	-	-
Director's remuneration	110	125	-	-
APAC membership fee	333	250	-	-
APAC payments	690	1,035	-	-
Cost of goods sold	604	550	-	-
Other	839	827	-	-
	3,338	3,562	-	-

No payment was made to the Directors of Telco in the current financial year and the previous financial year.

Fees paid to the Directors of ac3 totalled \$110,000. (1 in the band \$0 - \$9,999; 4 in the band \$10,000 - \$19,999; and 2 in the band \$20,000 - \$29,000.)

The audit fee for the audit of ac3 Financial Report was \$24,000. The auditor received no other benefit. Department of Commerce paid the audit fees for the audit of Telco and accounting administration fees on behalf of the Authority.

(c) Other Expenses

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revaluation Decrement – Investment in ac3	-	-	330	-
	-	-	330	-

4. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	1,818	1,745	-	-
	1,818	1,745	-	-

For the purposes of the Cash Flow Statement, cash includes cash on hand and cash at bank.

Cash assets recognised in the Balance Sheet are reconciled to cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	1,818	1,745	-	-
Closing cash and cash equivalents (per Cash Flow Statement)	1,818	1,745	-	-

5. CURRENT ASSETS - RECEIVABLES

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current Receivables				
Sale of goods and services	662	575	-	-
	662	575	-	-

6. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Other Financial Assets available for sale				
Shares in ac3 Ltd	-	-	870	1,200
	-	-	870	1,200

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Plant and Equipment				
At fair value	5,553	5,286	-	-
Accumulated depreciation	(4,181)	(3,598)	-	-
Net Book Value	1,372	1,688	-	-

Reconciliation - 2006

	Plant & Equipment \$'000	Furniture & Fittings \$'000	Leased Assets \$'000	Total \$'000
Carrying amount at the beginning of year	715	102	871	1,688
Additions	201	22	43	266
Depreciation expense	(298)	(34)	(250)	(582)
Carrying amount at the end of year	618	90	664	1,372

Management considers that the written down value of all other assets as at 30 June 2006 approximates the fair value.

Reconciliation - 2005

	Plant & Equipment \$'000	Furniture & Fittings \$'000	Leased Assets \$'000	Total \$'000
Carrying amount at the beginning of year	917	259	494	1,670
Additions	281	49	664	994
Disposals	(67)	(12)	-	(79)
Depreciation expense	(416)	(194)	(287)	(897)
Carrying amount at the end of year	715	102	871	1,688

8. CURRENT ASSETS - OTHER

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current Assets - Other				
Prepayments	14	15	-	-
	14	15	-	-

9. CURRENT LIABILITIES – TRADE CREDITORS & PAYABLES

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade creditors	12	-	-	-
GST payable	96	41	-	-
Other	206	132	-	-
	314	173	-	-

10. CURRENT LIABILITIES – SHORT-TERM PROVISIONS

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Provision for make good	19	19	-	-
Recreation leave	150	94	-	-
Long service leave	28	-	-	-
	197	113	-	-

11. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Lease liability	287	448	-	-

12. CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revenue in advance	1,382	1,090	-	-
	1,382	1,090	-	-

13. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Lease liability	121	366	-	-

14. NON-CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Revenue in advance	37	47	-	-
	37	47	-	-

15. CHANGES IN EQUITY

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Contributed Equity				
Retained earnings:				
Balance at the beginning of the financial year	4,513	5,052	1,200	1,193
Net profit/(loss) attributable to members of Telco	(147)	(539)	(330)	7
Balance at the end of the financial year	4,366	4,513	870	1,200
Minority Equity Interest				
Minority equity interest in controlled entity comprises:				
Australian Centre for Advanced Computing and Communications Pty Limited	(2,838)	(2,727)	-	-
Represented by:				
Interest in accumulated losses at end of financial year	(5,758)	(5,647)	-	-
Interest in contributed equity	2,920	2,920	-	-
Total Minority Equity Interest	(2,838)	(2,727)	-	-

16. COMMITMENTS FOR EXPENDITURE**(a) Other Expenditure Commitments**

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Aggregate other expenditure for the acquisition of items as detailed below contracted for at balance date and not provided for:				
Not later than one year	69	814	-	-
Later than one and not later than five years	39	1	-	-
Total (including GST)	108	815	-	-

The total "other expenditure commitments" above includes input tax credits of \$10,000 that are expected to be recovered from the Australian Taxation Office.

(b) Operating Lease Commitments

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Future non-cancellable operating lease rentals not provided for and payable for accommodation and equipment:				
Not later than one year	50	-	-	-
Later than one and not later than five years	96	-	-	-
Total (including GST)	146	-	-	-

(c) Finance Lease Commitments

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Future non-cancellable finance lease payments payable for equipment				
Not later than one year	298	489	-	-
Later than one and not later than five years	124	373	-	-
Minimum lease payments	422	862	-	-
Later than one and not later than five years	(14)	(48)	-	-
Total (including GST)	408	814	-	-
Included in the financial statements as:				
Current interest bearing liabilities	287	448	-	-
Non-Current interest bearing liabilities	121	366	-	-
Total Interest bearing liabilities	408	814	-	-

The total 'finance lease commitments' above includes input tax credits of \$37,000 that are expected to be recoverable from the Australian Taxation Office.

The finance leases on plant and equipment which commenced in 2006 are three year leases. The equipment is being leased from an Australian lease provider with lease payments paid monthly in arrears.

17. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATIONS

	Consolidated		Telco	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net Profit / (Loss)	(258)	(951)	(330)	7
Non-Cash Items				
Depreciation	582	896	-	-
Net loss on disposal of Plant and Equipment	-	67	-	-
Net loss on disposal of Furniture and Fittings	-	12	-	-
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	(87)	(15)	-	-
(Increase)/decrease in other assets	1	(22)	330	-
(Decrease)/increase in payables/provisions	452	208	-	(7)
(Decrease)/increase in liabilities	55	11	-	-
Net Cash Flow from/(used in) Operating Activities	745	206	-	-

18. SEGMENT REPORTING

The consolidated entity operates in one business and geographical segment, being the provision of Managed Co-location Services in New South Wales.

19. FINANCIAL INSTRUMENTS**(a) Interest Rate Risk**

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non Interest Bearing	
	2006	2005	2006	2005	Within 1 Year		1 - 5 Years		2006	2005
					2006	2005	2006	2005		
Financial Assets										
Cash	4.56%	4.89%	1,818	1,745	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	662	575
Total Financial Assets	-	-	1,818	1,745	-	-	-	-	662	575
Financial Liabilities										
Payables	-	-	-	-	-	-	-	-	314	173
Lease Liabilities	7.35%	10.29%	-	-	287	448	121	366	-	-
Total Financial Liabilities	-	-	-	-	287	448	121	366	314	173

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the financial report.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under the financial instruments entered into by the entity.

(c) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements.

20. CONTINGENT LIABILITIES AND ASSETS

The consolidated entity is not aware of any contingent liabilities or assets associated with its operations.

21. AFTER BALANCE DATE EVENTS

There were no after balance date events.

END OF AUDITED FINANCIAL STATEMENTS

